



Foreign Agricultural Service

GAIN Report

Global Agriculture Information Network

Voluntary Report - public distribution

Date: 4/30/2001

GAIN Report #IN1017

India

Grain and Feed

May Update

2001

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Report Highlights:

"Mountains of Grain Among Millions of Hungry." Despite an estimated 10 percent drop in 2001 wheat production, India's wheat/rice stocks approach 60 million tons.

Includes PSD changes: Yes
Includes Trade Matrix: No
Unscheduled Report
New Delhi [IN1], IN

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Untimely Rains Hinder Wheat Harvest

Recent field travel by Ag Counselor staff to Punjab and Haryana (the wheat basket of India) revealed that wheat production is likely to decline by about 1.0 million tons in Punjab and 0.5 million tons in Haryana from last year's record crops of 15.9 and 9.6 million tons, respectively. The reduced crop results from inadequate winter rainfall and fluctuating March temperatures. Untimely mid-April rains delayed wheat harvesting by about a week. Early-harvested crop (about 10 percent) lying in farmers' fields and in market yards (mandis) suffered some quality loss (high moisture, discoloration). The quantitative loss, however, is expected to be small. In view of lower production in Punjab and Haryana, and significant area reductions in Madhya Pradesh and Rajasthan (due to drought), we are lowering our 2001 production estimate to 67.5 million tons.

GOI Reduces Estimate to 68.5 ...

Based on preliminary data from several states, the Directorate of Economics & Statistics, Ministry of Agriculture, recently lowered its wheat production estimate to 68.5 million tons from an earlier estimate of 70 million. A 3.5 million hectare decline in planted area was largely responsible for the revision. However, as there are likely to be lower yields due to drought in some states, the GOI estimate still appears to be high.

... but Procurement Likely to Increase

Despite the likely 10 percent decline in production, wheat procurement by the government under its price support operation is likely to surpass last year's record 16.4 million tons, as high procurement prices, huge Food Corporation stocks, and unpredictable government wheat sales and pricing policies have made the private trade fearful of buying and storing grain. Farmers are also unlikely to hold stocks beyond their normal consumption requirements as the support price for this year's crop (rs. 6,100/mt) is quite attractive. Although there is likely to be lower procurement from drought-stricken Madhya Pradesh and Rajasthan, procurement from Punjab/Haryana is likely to increase by about 1.5 million tons. Procurement from Uttar Pradesh, the third largest wheat surplus state, is also likely to rise, bringing MY 2001/02 procurement to as much as 17.5 million tons. Recent years' wheat procurements by state, and forecast for this year, are given below.

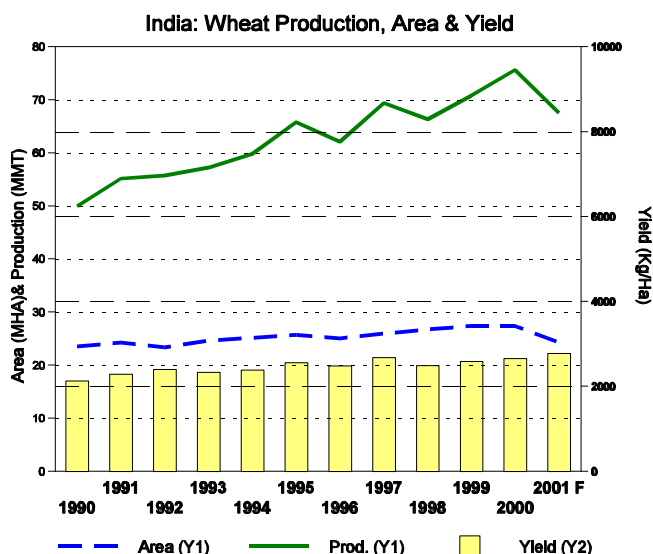


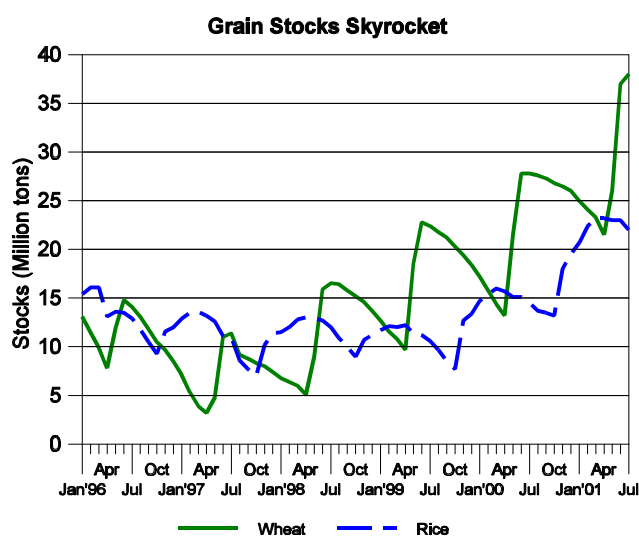
Table 1: Wheat Procurement by State (000 Metric Tons)

	1997/98	1998/99	1999/00	2000/01	2001/02 F
Punjab	5,961	6,146	7,831	9,427	10,500
Haryana	2,290	3,158	3,870	4,493	4,900
Uttar Pradesh	618	2,141	1,261	1,545	1,700
Madhya Pradesh	107	531	542	350	100
Rajasthan	320	667	637	539	300
Other	2	9	9	0	0
Total	9,298	12,652	14,143	16,354	17,500

Storage Problem Likely to Grow

With unprecedented April 1 foodgrain stocks of 44.7 million tons (21.5 million tons wheat and 23.2 million tons rice) and prospects of another record wheat procurement, the government will face the worst ever storage crisis. Stocks are likely to mount to more than 60 million tons by the end of June (including 38 million tons of wheat), 36 million tons above the desired July 1 buffer stock level of 24.3 million tons (14.3 million tons wheat and 10 million tons rice). Due to a lack of storage facilities, most of the new crop will be stored in the open under polyethylene sheeting (called CAP storage), where it is vulnerable to weather and insect damage. Already a major share of Punjab and Haryana's wheat stocks are under CAP, with rice occupying most of the covered storage space. There will clearly be large financial and physical losses resulting from such high level of public stocks.

Although the government wants to privatize handling and storage of grains, and encourages foreign collaboration in this venture, the response has been lukewarm. Without a mechanism to check procurement (perhaps a lower support price) and increase offtake (lower sales price), the government faces the possibility of holding ever-rising stocks unless there are massive subsidized exports or a poor monsoon.



Offtake Declines

Offtake of wheat and rice from government stocks declined significantly during 2000/01 (Apr-Mar) to an estimated 17 million tons (7 million tons wheat and 10 million tons rice) compared with 22.3 million tons (10.1 million tons wheat and 12.2 million tons rice) in 1999/00. Although larger availability of grains in the open market at cheaper prices was partly responsible for the lower offtake, widespread drought and other calamities in several states reportedly reduced the purchasing power for millions of people, reducing their access to foodgrains. The paradox of "mountains of grain among millions of hungry" has now become a topic of serious debate in the country.

Larger Exports Planned

One strategy that the government is pursuing to help overcome the storage problem is subsidized exports. Five million tons of wheat have been tagged for export in MY 2001/02, compared with two million tons in MY 2000/01. However, the sales price for exports was increased from rs. 4,150(\$89)/mt to rs. 4,300(\$92)/mt for the period April 1 to May 31. Despite the rs.150/ton increase, the export subsidy per metric ton will increase as the government is procuring wheat at rs. 6,100/mt compared with last year's rs. 5,800/mt. Effective June 1, the GOI plans to establish export prices based on open tenders. Private exporters also will be involved. Given, however, the difficulties in establishing an export price based on tenders, it is likely that the government will continue the policy of supplying wheat for export at a predetermined price.

Wheat export contracts during MY 2000/21 reportedly overshot the allocation of 2 million tons. According to data compiled by private sources, however, actual shipments through March 31 were about 1.6 million tons. Major destinations were: South Korea (306,000 tons); UAE (262,000 tons); Bangladesh (159,000 tons); Yemen (178,000 tons); Philippines (142,000 tons); Oman (120,000 tons); Malaysia (116,000 tons); Iraq (112,000 tons); Sudan (64,000 tons); Vietnam (41,000 tons); Indonesia (33,000 tons); and Thailand (12,000 tons). There have been press reports that Iraq has turned back several shipments due to quality problems.

If world wheat prices strengthen, India will have a better chance of exporting wheat this year. We are raising the wheat export forecast for MY 2001/02 (Apr/Mar) to 3 million tons, nearly double the 1.6 million tons moved in 2000/01.

GOI Lowers 2000/01 Rice Production Estimate ...

The GOI recently dropped the rice production estimate for 2000/01 to 85.5 million tons, 4 million tons below 1999/00 production. The decline is largely attributed to a one million hectare reduction in the West Bengal rice area due to inadequate soil moisture. The PS&D reflects the revision.

... but Procurement Edges Higher

Domestic rice procurement during the current marketing year (Oct/Sep) has totaled 16 million tons as of mid-April, compared with 14.3 million tons during the corresponding period of last

year. With additional procurements of around 2 million tons expected from Andhra Pradesh, MY 2000/01 rice procurement could reach 18 million tons, compared with 17.3 last year.

Table 2: Government Procurement, Stocks and Off take of Wheat (year ago)
(Million Metric Tons)

	Stocks	Procurement Cumulative	Imports	Off take 1/
Apr 1, 2000	13.1 (9.92)			0.3(0.4)
May 1	21.5 (19.8)			0.5(0.4)
Jun 1	27.8(22.2)			0.5 (0.5)
Jul 1	27.8(21.6)			0.5(0.6)
Aug 1	27.6 (21.0)			0.4(0.7)
Sep 1	27.3 (21.4)			0.4(0.8)
Oct 1	26.8 (20.5)			0.4(0.8)
Nov 1	26.5 (19.5)			0.5(0.9)
Dec 1	26.0 (18.4)			0.8(1.1)
Jan 1, 2001	25.0 (17.2)			0.9(1.3)
Feb 1	24.1 (15.8)			0.8 (1.3)
Mar 1	23.3 (14.4)	16.4 (14.1)		

1/ Includes exports

Table 3: Government Procurement, Stocks and Off take of Rice (year ago)
(Million Metric Tons)

	Stocks	Procurement Cumulative	Imports	Off take
Apr 1, 2000	14.9 (11.7)			0.6(0.8)
May 1	15.1 (11.7)			0.9 (1.0)
Jun 1	15.1 (11.1)			1.0 (1.0)
Jul 1	14.5 (10.7)			0.9(1.0)
Aug 1	13.7 (9.7)			0.9(1.2)
Sep 1	13.5 (8.6)	17.3 (11.8)		0.9 (1.0)
Oct 1	13.2 (10.6)			0.7 (0.9)
Nov 1	18.0 (12.8)			0.8 (1.1)
Dec 1	19.5(13.4)			0.7(1.2)
Jan 1, 2001	20.7(14.7)			0.9(0.9)
Feb 1	22.4(15.4)			0.8(1.0)
Mar 1	23.2(16.0)	16.0(14.3)		

Commodity, PSD, Wheat

PSD Table							
Country:	India						
Commodity:	Wheat						
		1999		2000		2001	UOM
	Old	New	Old	New	Old	New	
Market Year Begin		04/99		04/00		04/01	(MONTH/ YEAR)
Area Harvested	27,400	27,400	27,434	27,434	24,500	24,500	(1000 Hectares)
Beginning Stocks	11,081	11,081	13,461	13,461	20,000	21,500	(1000 MT)
Production	70,780	70,780	75,574	75,574	68,000	67,500	(1000 MT)
TOTAL Mkt. Yr. Imports	1,372	1,372	100	0	0	0	(1000 MT)
Jul-Jun Imports	1,311	1,311	100	0	0	0	(1000 MT)
Jul-Jun Import U.S.	0	0	0	0	0	0	(1000 MT)
TOTAL SUPPLY	83,233	83,233	89,135	89,035	88,000	89,000	(1000 MT)
TOTAL Mkt. Yr. Exports	200	200	1,500	1,600	1,000	3,000	(1000 MT)
Jul-Jun Exports	200	200	2,000	2,500	700	2,800	(1000 MT)
Feed Dom. Consumption	350	350	350	500	500	500	(1000 MT)
TOTAL Dom. Consumption	69,572	69,572	67,500	65,935	68,500	68,500	(1000 MT)
Ending Stocks	13,461	13,461	20,135	21,500	18,500	17,500	(1000 MT)
TOTAL DISTRIBUTION	83,233	83,233	89,135	89,035	88,000	89,000	(1000 MT)

Commodity, PSD, Rice Milled

PSD Table							
Country:	India						
Commodity:	Rice, Milled						
		1999		2000		2001	UOM
	Old	New	Old	New	Old	New	
Market Year Begin		10/1999		10/2000		10/2001	(MONTH/ YEAR)
Area Harvested	44,970	44,970	44,600	44,000	44,500	44,500	(1000 Hectares)
Beginning Stocks	12,000	12,000	17,716	17,716	19,330	19,166	(1000 MT)
Milled Production	89,480	89,480	87,000	85,500	88,000	88,000	(1000 MT)
Rough Production	134,233	134,233	130,513	128,263	132,013	132,013	(1000 MT)
Milling Rate(.9999)	6,666	6,666	6,666	6,666	6,666	6,666	(1000 MT)
TOTAL Imports	86	86	0	0	0	0	(1000 MT)
Jan-Dec Imports	86	86	0	0	0	0	(1000 MT)
Jan-Dec Import U.S.	0	0	0	0	0	0	(1000 MT)
TOTAL SUPPLY	101,566	101,566	104,716	103,216	107,330	107,166	(1000 MT)
TOTAL Exports	1,400	1,400	850	850	1,500	1,200	(1000 MT)
Jan-Dec Exports	1,300	1,300	800	800	1,500	1,200	(1000 MT)
TOTAL Dom. Consumption	82,450	82,450	83,500	83,200	85,500	84,500	(1000 MT)
Ending Stocks	17,716	17,716	20,366	19,166	20,330	21,466	(1000 MT)